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7                   UNITED STATES DISTRICT COURT  
8                   WESTERN DISTRICT OF WASHINGTON  
9                   AT SEATTLE

10 CYWEE GROUP LTD.,

CASE NO. C17-0932JLR

11                   Plaintiff,

12                   v.  
13                   ORDER ON THIRD-PARTY  
14                   DEFENDANT'S MOTION FOR  
15                   SUMMARY JUDGMENT AND  
16                   ON CROSS-MOTIONS FOR  
17                   STAY

HTC CORPORATION, et al.,

~~PROVISIONAL~~

Defendants/Third-Party Plaintiffs,

~~UNDER SEAL~~

v.

CYWEE MOTION GROUP LTD.,

Third-Party Defendant.

18                   I. INTRODUCTION

19                  Before the court are three motions. First, Third-Party Defendant CyWee Motion  
20 Group Ltd. ("CyWee Motion") moves for summary judgment against Defendants and  
21 Third-Party Plaintiffs HTC Corporation ("HTC Corp.") and HTC America, Inc. ("HTC  
22 America") (collectively, "HTC"). (MSJ (Dkt. # 107).) HTC opposes CyWee Motion's

1 summary judgment motion. (Resp. (Dkt. ## 112 (redacted), 113 (sealed).) Second,  
2 Plaintiff CyWee Group Ltd. ("CyWee Group") and CyWee Motion (collectively,  
3 "CyWee") move for a partial stay of this matter pending *inter partes* review ("IPR")  
4 proceedings. (CyWee MTS (Dkt. # 123).) Third, HTC cross-moves for a complete stay  
5 pending IPR proceedings. (HTC MTS (Dkt. # 126).) The court has considered the  
6 motions, the parties' submissions concerning the motions, the relevant portions of the  
7 record, and the applicable law. Being fully advised,<sup>1</sup> the court DENIES CyWee Motion's  
8 motion for summary judgment without prejudice to refiling according to the timeline set  
9 forth herein. The court further GRANTS in part and DENIES in part CyWee's motion  
10 for a partial stay and GRANTS in part and DENIES in part HTC's motion for a complete  
11 stay.

## 12                   **II. BACKGROUND**

13                  This case features patent infringement and other disputes between technology  
14 companies. The court identifies the parties before summarizing the factual and  
15 procedural background.

### 16                  **A. The Parties**

17                  CyWee Group provides products and services in the areas of "motion processing,  
18 wireless high definition video delivery, and facial tracking technology." (SAC (Dkt.  
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21                  <sup>1</sup> CyWee Motion and HTC request oral argument on CyWee Motion's summary  
22 judgment motion (*see* MSJ at Title Page; Resp. at Title Page), and HTC requests oral argument  
on its cross-motion for a complete stay (*see* HTC MTS at Title Page), but the court finds that oral  
argument is unnecessary to its disposition of the motions, *see* Local Rules W.D. Wash. LCR  
7(b)(4).

1 # 61) ¶ 2.) CyWee Group owns two patents protecting technology that detects, measures,  
2 and calculates the movements of machines: United States Patent No. 8,441,438 and  
3 United States Patent No. 8,552,978 (collectively, “the Patents-in-Suit”). (*Id.* ¶¶ 15,  
4 20-22, 122-24.) CyWee Motion, which is “affiliated” with CyWee Group, specializes in  
5 “wireless streaming, facial tracking, and motion processing technology solutions for  
6 home entertainment and mobile devices.” (CyWee Motion Am. Countercl. (Dkt. # 104)  
7 ¶ 7.)

8 HTC Corp. manufactures consumer electronics, including mobile phones and  
9 tablets. (SAC ¶ 3; Answer to SAC (Dkt. # 62) ¶ 3.) HTC America, a wholly-owned  
10 subsidiary of HTC Corp., imports and sells HTC Corp.’s mobile phones and tablets in the  
11 United States. (SAC ¶ 4; Answer to SAC ¶ 4.)

12 **B. Factual Background**

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 \_\_\_\_\_  
21 <sup>2</sup> HTC also filed a sealed copy of the License Agreement. (See Yoon Decl. (Dkt.  
# 112-1) ¶ 14, Ex. 3 (sealed).) When citing the License Agreement, the court cites specific  
22 paragraph numbers, where applicable. Where no paragraph number corresponds to the cited  
material, the court cites the Bates number at the bottom-right corner of the document.

1 [REDACTED]  
2 [REDACTED]  
3 [REDACTED]  
4 [REDACTED] [REDACTED]  
5 [REDACTED]  
6 [REDACTED]  
7 [REDACTED]  
8 [REDACTED] CyWee  
9 Motion, Inc. is a wholly-owned subsidiary of CyWee Motion. (Liou Decl. (Dkt. # 107-2)  
10 ¶ 2.)  
11 [REDACTED]  
12 [REDACTED]  
13 [REDACTED] Specifically, HTC  
14 integrated into its mobile phones STM sensor hub modules with CyWee Software. (*Id.*  
15 ¶ 4.) Whenever HTC required new sensor fusion functionalities, “HTC would request the  
16 support from CyWee Motion to develop the new functionalities in the CyWee Software.”  
17 (*Id.* ¶ 6.) [REDACTED]  
18 [REDACTED]  
19 [REDACTED] HTC asserts that “CyWee Motion provided each  
20  
21 <sup>3</sup> Both CyWee Motion and HTC imply that that the [REDACTED]  
[REDACTED]. (See CyWee Motion Am. Countercl. ¶ 9; HTC MTS at 2.)  
22 As discussed below, however, on the record before the court, the relationship between the  
Patents-in-Suit and the CyWee Software remains unclear. See *infra* § III.B.2.

1 version of the CyWee Software directly to HTC in binary form" and "did not place any  
2 restrictions on HTC's use of the CyWee Software in HTC devices." (*Id.* ¶¶ 7-8.) HTC  
3 further contends that it understood that CyWee Motion was compensated for the CyWee  
4 Software [REDACTED] and that CyWee  
5 Motion "has never requested payment from HTC for the integration and use of CyWee  
6 Software in HTC devices." (*Id.* ¶ 8.)

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 The same day, CyWee Motion notified HTC [REDACTED]

15 [REDACTED] (CyWee Motion Am. Countercl. ¶ 18, Ex. B at 1.<sup>5</sup>) CyWee Motion

16 demanded that HTC "immediately cease and desist any use of [the CyWee S]oftware"  
17 and "immediately return any and all copies of the software to CyWee Motion." (*Id.*)

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20 <sup>4</sup> Although CyWee Motion's amended counterclaims authenticate Exhibit A, the exhibit  
21 is appended to CyWee Motion's counterclaims. (See CyWee Motion Countercl. (Dkt. # 102)  
¶ 17, Ex. A.)

22 <sup>5</sup> Although CyWee Motion's amended counterclaims authenticate Exhibit B, the exhibit  
is appended to CyWee Motion's counterclaims. (See CyWee Motion Countercl. ¶ 18, Ex. B.)

1 CyWee Motion contends that HTC refused to return its copies of the CyWee Software  
2 and, to this day, continues to use the CyWee Software in HTC devices. (MSJ at 2.)

3 **C. Procedural History**

4 On June 16, 2017, CyWee Group filed an action for patent infringement against  
5 HTC, alleging that certain HTC devices impermissibly practice the Patents-in-Suit. (See  
6 Compl. (Dkt. # 1); *see also* SAC.) This suit is one of seven pending cases in which  
7 CyWee Group alleges that a technology company has infringed the Patents-in-Suit. (See  
8 CyWee Motion MTS at 2 n.7 (listing cases).) Among other affirmative defenses, HTC  
9 asserts that CyWee Group's patent infringement claims are barred by the patent  
10 exhaustion doctrine and that HTC holds "an express or implied license" to practice the  
11 Patents-in-Suit. (Answer to SAC at 19.) In addition, HTC brings counterclaims against  
12 CyWee Group for declaratory judgments of patent invalidity and noninfringement. (*Id.*  
13 ¶¶ 26-41.)

14 On January 11, 2018, HTC filed a third-party complaint against CyWee Motion  
15 and STM. (TPC (Dkt. # 43).) HTC alleged that the STM components HTC purchased  
16 for incorporation into the accused HTC products were covered by the License  
17 Agreement, such that STM was obligated to indemnify and defend HTC against CyWee  
18 Group's patent infringement claims. (*Id.* ¶¶ 23, 39-50.) HTC also brought a claim for  
19 unfair business practices under Washington law against CyWee Motion and sought  
20 contribution from both CyWee Motion and STM. (*Id.* ¶¶ 51-61.)

21 On May 31, 2018, HTC filed a stipulated motion to dismiss with prejudice all its  
22 claims against STM. (Stip. MTD (Dkt. # 93); *see also* 6/1/18 Order (Dkt. # 94) at 2

1 (granting the stipulated motion to dismiss).) HTC now represents that it agreed to  
 2 dismiss its claims against STM because STM threatened to stop supplying HTC with  
 3 STM sensor hub modules if the litigation continued.<sup>6</sup> (Siddiqui Decl. (Dkt. # 113-2)  
 4 ¶¶ 5-6 (sealed).)

5 On September 26, 2018, approximately two months after terminating the License  
 6 Agreement, CyWee Motion filed counterclaims against HTC for conversion, unjust  
 7 enrichment, and declaratory judgment of unauthorized possession. (*See* CyWee Motion  
 8 Countercl. (Dkt. # 102) ¶¶ 20-33; *see also* CyWee Motion Am. Countercl. ¶¶ 20-38.)  
 9 Additionally, on November 19, 2018, CyWee Motion asserted a replevin claim against  
 10 HTC. (*See* CyWee Motion Am. Countercl. ¶¶ 24-27.) In brief, CyWee Motion alleges  
 11 that HTC impermissibly retained possession of the CyWee Software after CyWee Motion  
 12 terminated the License Agreement. (*Id.* ¶¶ 17-19.) On November 28, 2018, CyWee  
 13 Motion filed the present motion for summary judgment on its conversion and replevin  
 14 claims. (*See* MSJ.)

15 On March 4, 2019, CyWee filed a motion to partially stay this case pending IPR  
 16 proceedings involving the Patents-in-Suit. (*See* CyWee MTS at 2.) Months earlier, in  
 17 connection with an unrelated suit, non-party Google, Inc. filed IPR petitions with the  
 18 Patent and Trademark Office's Patent Trial and Appeal Board ("PTAB"), seeking to  
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20 <sup>6</sup> HTC also asserted claims against STMicroelectronics, Inc., an affiliate of STM. (*See*  
 21 *generally* 3d-Party Compl. (Dkt. # 43).) HTC's claims against STMicroelectronics, Inc. were  
 22 dismissed with prejudice. (4/23/18 Order (Dkt. # 79) at 1.) Additionally, HTC withdrew its  
 motion for leave to file an amended third-party complaint, which would have asserted claims  
 against STMicroelectronics Asia Pacific Ltd., another STM affiliate. (*See* Mot. for Leave to File  
 Am. 3d-Party Compl. (Dkt. # 87) at 2; 6/1/18 Order at 2.)

1 invalidate claims in each of the Patents-in-Suit. (*Id.* (citing *CyWee Grp. v. Google, Inc.*  
2 No. 1-18-cv-00571 (D. Del.).) The PTAB granted Google, Inc.'s IPR petitions on  
3 December 11, 2018. (*Id.*) CyWee now seeks to stay CyWee Group's patent infringement  
4 claims against HTC, HTC's patent invalidity and noninfringement counterclaims against  
5 CyWee Group, and HTC's third-party claims against CyWee Motion for contribution and  
6 unfair business practices. (*Id.* at 4.) In other words, CyWee seeks to stay all claims  
7 except CyWee Motion's counterclaims against HTC. (*See id.*) HTC cross-moves for a  
8 complete stay pending the outcome of the IPR proceedings. (*See generally* HTC MTS at  
9 1.)

10 The court now considers the motions.

### 11 III. ANALYSIS

#### 12 A. Summary Judgment Motion

13 CyWee Motion argues that it is entitled to summary judgment on its conversion  
14 and replevin claims because there is no genuine dispute that HTC continued to use the  
15 CyWee Software "without authorization" after CyWee Motion terminated the License  
16 Agreement. (MSJ at 7-8; *see also* Reply at 3.) HTC contends that the court should deny  
17 the motion pursuant to Federal Rule of Civil Procedure 56(d) because CyWee Motion  
18 filed the motion before HTC could conduct sufficient discovery on CyWee Motion's  
19 cross-counterclaims and HTC's affirmative defenses to those claims. (Resp. at 1-2,  
20 13-14, 23; Yoon Decl. ¶ 10); *see also* Fed. R. Civ. P. 56(d). HTC also asserts that  
21 genuine disputes of material fact preclude summary judgment. (Resp. at 17-22.) The  
22 //

1 court finds that HTC is entitled to relief under Rule 56(d) and thus does not reach the  
2 merits of CyWee Motion's summary judgment motion.

3       1. Conversion and Replevin

4       Before addressing HTC's arguments under Rule 56(d), the court summarizes the  
5 standards that govern CyWee Motion's conversion and replevin claims. Under  
6 Washington law, conversion "occurs when a person intentionally interferes with chattel  
7 belonging to another, either by taking or unlawfully retaining it, thereby depriving the  
8 rightful owner of possession." *Alhadeff v. Meridian on Bainbridge Island, LLC*, 220 P.3d  
9 1214, 1223 (Wash. 2009). "Wrongful intent is not an element of conversion, and good  
10 faith is not a defense." *Brown ex rel. Richards v. Brown*, 239 P.3d 602, 610 (Wash. Ct.  
11 App. 2010). "'Chattel' includes both tangible and intangible goods, such as corporate  
12 property." *Lang v. Hougan*, 150 P.3d 622, 637 (Wash. Ct. App. 2007).

13       In a replevin action, a plaintiff "must prove its title and right to possession" of the  
14 property at issue. *Crystal Recreation, Inc. v. Seattle Ass'n of Credit Men*, 209 P.2d 358,  
15 361 (Wash. 1949). Under Washington law, replevin is a statutory cause of action. See  
16 *Graham v. Notti*, 196 P.3d 1070, 1072 (Wash. Ct. App. 2008) (citing RCW 7.64.020(2)).  
17 A plaintiff bringing a replevin action must show: (1) that "the plaintiff is the owner of  
18 the property or is lawfully entitled to the possession of the property by virtue of a special  
19 property interest"; (2) that "the property is wrongfully detained" by the defendant; (3)  
20 that "the property has not been taken for a tax, assessment, or fine pursuant to a statute";  
21 and (4) that "[t]he approximate value of the property." *Graham*, 196 P.3d at 1072. In  
22 //

1 replevin, the plaintiff “seeks a return of his goods, and damages for the interruption to his  
2 possession.” *Hoff v. Lester*, 168 P.2d 409, 413 (Wash. 1946).

3 CyWee Motion’s theories of conversion and replevin are straightforward. In  
4 short, CyWee Motion argues that HTC wrongfully retained possession of the CyWee  
5 Software after the termination of the License Agreement. According to CyWee Motion,  
6 “when the [License Agreement] was terminated, HTC’s right to possess and use the  
7 CyWee Software pursuant to the [License Agreement] terminated as well.” (Reply at 3.)  
8 CyWee Motion insists that, “[r]egardless of whether the Patents-in-Suit are infringed or  
9 not, CyWee Motion [Group] is still entitled to its property,” and HTC must return—*i.e.*,  
10 destroy its copies of—the CyWee Software. (MSJ at 8.) HTC, for its part, argues that  
11 CyWee Motion’s summary judgment motion is “premature” and that HTC is entitled to  
12 conduct discovery into various areas related to HTC’s alleged right to continue  
13 integrating the CyWee Software into its products. (*See* Resp. at 1.)

14 **2. Rule 56(d) Analysis**

15 Under Rule 56(d), if the nonmoving party “shows by affidavit or declaration that,  
16 for specified reasons, it cannot present facts essential to justify its opposition, the court  
17 may: (1) defer considering the motion or deny it; (2) allow time to obtain affidavits or  
18 declarations or to take discovery; or (3) issue any other appropriate order.” Fed. R. Civ.  
19 P. 56(d). A Rule 56(d) “continuance of a motion for summary judgment for purposes of  
20 discovery should be granted almost as a matter of course unless the non-moving party has  
21 not diligently pursued discovery of the evidence.” *Burlington N. Santa Fe R.R. Co. v.*  
22 *Assiniboine & Sioux Tribes of the Fort Peck Reservation*, 323 F.3d 767, 773-74 (9th Cir.

1 2003) (internal quotation marks and citations omitted); *see also Metabolife Int'l, Inc. v.*  
2 *Wornick*, 264 F.3d 832, 846 (9th Cir. 2001) (“Although Rule 56(f)<sup>7</sup> facially gives judges  
3 the discretion to disallow discovery when the non-moving party cannot yet submit  
4 evidence supporting its opposition, the Supreme Court has restated the rule as requiring,  
5 rather than merely permitting, discovery ‘where the nonmoving party has not had the  
6 opportunity to discover information that is essential to its opposition.’” (citing *Anderson*  
7 *v. Liberty Lobby, Inc.*, 477 U.S. 242, 250 n.5 (1986)) (footnote added). To prevail under  
8 Rule 56(d), “parties opposing a motion for summary judgment must make ‘(a) a timely  
9 application which (b) specifically identifies (c) relevant information, (d) where there is  
10 some basis for believing that the information sought actually exists.’” *Emp’rs Teamsters*  
11 *Local Nos. 175 & 505 Pension Trust Fund v. Clorox*, 353 F.3d 1125, 1129 (9th Cir.  
12 2004) (quoting *VISA Int’l Serv. Ass’n v. Bankcard Holders of Am.*, 784 F.2d 1472, 1475  
13 (9th Cir. 1986)).

14 HTC makes its Rule 56(d) request in its opposition to CyWee’s summary  
15 judgment motion and the accompanying declaration of HTC’s counsel, James C. Yoon.  
16 (See generally Resp.; Yoon Decl. ¶ 10.) The court finds that HTC satisfies all four  
17 requirements for relief under Rule 56(d).

18 First, HTC’s request is timely: it was filed within the time HTC had to oppose  
19 CyWee Motion’s summary judgment motion. (See MSJ at 1 (showing that CyWee  
20

21 <sup>7</sup> Effective December 1, 2010, Federal Rule of Civil Procedure 56(f) was renumbered 56(d). The  
22 Advisory Committee’s notes to Rule 56 with respect to the 2010 amendments state that “[s]ubdivision (d)  
carries forward without substantial change the provisions of former subdivision (f).” See Fed. R. Civ. P.  
56 Advisory Comm. Notes.

1 Motion's motion was initially noted for December 28, 2018); Resp. at 24 (showing that  
2 HTC filed its response on December 24, 2018)); *see also IVC Highlands TT, LLC v.*  
3 *DirectBuy, Inc.*, No. C16-0327RAJ, 2016 WL 3690127, at \*2 (W.D. Wash. July 12,  
4 2016) (stating that a “request [is] timely if made prior to the summary judgment hearing”  
5 (citations and quotations omitted)). CyWee Motion does not dispute that HTC timely  
6 invoked Rule 56(d). (*See generally* Reply.)

7 Second, Mr. Yoon’s declaration “specifically identifies” information that HTC  
8 contends is essential to support its opposition to CyWee Motion’s summary judgment  
9 motion. *See Emp.’s Teamsters*, 353 F.3d at 1129; (Yoon Decl. ¶ 10.) HTC represents  
10 that its discovery requests will clarify, among other issues: (1) the relationship between  
11 CyWee Motion and its affiliates, and whether CyWee Motion, CyWee Motion, Inc., and  
12 CyWee Tech are “collectively licensors or owners of the CyWee Software,” as CyWee  
13 Motion claims; (2) “[t]he nature and extent of any royalty payments” [REDACTED]  
14 [REDACTED] under the License Agreement; (3) whether HTC may  
15 [REDACTED]  
16 [REDACTED]; and (4) “factual  
17 issues underlying HTC’s affirmative defense of equitable estoppel.” (*Id.*; *see also* Resp.  
18 at 13-17.)

19 CyWee Motion does not dispute that the fourth factor in the Rule 56(d) analysis—  
20 that “there is some basis for believing that the information [HTC seeks] actually  
21 exists”—is satisfied. *See Emp.’s Teamsters*, 353 F.3d at 1129; (*see generally* Reply.)  
22 Rather, CyWee Motion appears to argue that the areas of discovery that HTC identifies

1 are not relevant because, whatever discovery HTC might obtain, HTC cannot show that it  
2 has a right to possess the CyWee Software in light of the termination of the License  
3 Agreement. (See Reply at 2.) The court disagrees.

4 To begin, HTC's intended discovery into the relationship between CyWee Motion,  
5 CyWee Motion Inc., CyWee Tech, and other CyWee affiliates is warranted. CyWee  
6 Motion refers to CyWee Motion, CyWee Tech, and CyWee Motion, Inc. "collectively as  
7 licensors or owners of the CyWee Software." (MSJ at 2 n.1.) To support the proposition  
8 that CyWee Motion has an ownership interest in the CyWee Software, however, CyWee  
9 Motion cites only the License Agreement and the Assignment. (See *id.* at 4, 9; see  
10 generally *id.*) [REDACTED]

11 [REDACTED]  
12 But, on the record before the court, the relationships between CyWee Motion and other  
13 CyWee entities remain unclear. HTC is entitled to discovery into the nature of those  
14 relationships, their bearing on the ownership of the CyWee Software, and whether  
15 CyWee Motion has a property interest in the CyWee Software sufficient to confer  
16 standing for its conversion and replevin claims. See *Davenport v. Wash. Educ. Ass'n*,  
17 197 P.3d 686, 696 (Wash. Ct. App. 2008) (explaining that, to assert a conversion claim,  
18 the plaintiff must "have a possessory or other 'property interest' in the chattel"); RCW  
19 9.64.020(2).

20 Moreover, HTC is entitled to obtain discovery on its theory that [REDACTED]  
21 [REDACTED]  
22 [REDACTED]

1 [REDACTED]  
2 [REDACTED]  
3 [REDACTED]  
4 [REDACTED] [REDACTED]  
5 [REDACTED]  
6 [REDACTED] That argument misses the point, however. [REDACTED]  
7 [REDACTED]  
8 [REDACTED]  
9 [REDACTED]  
10 [REDACTED]  
11 [REDACTED]  
12 [REDACTED]  
13 HTC is entitled to further examine which CyWee affiliates received royalties from STM,  
14 when the royalties ceased, if ever, and whether the royalties encompassed HTC's  
15 post-termination use of the CyWee Software. These issues bear on whether HTC might  
16 benefit from the [REDACTED]

17 CyWee Motion argues that HTC collaterally estopped itself from invoking the  
18 protection of the License Agreement when HTC dismissed its claims against STM. (MSJ  
19 at 8.) Specifically, CyWee Motion insists that “[a]ny rights HTC may have claimed  
20 under the [License Agreement] are extinguished because HTC voluntarily and with  
21 prejudice dismissed its claims that it was a third-party beneficiary of the [License  
22 [REDACTED]

1 Agreement] and entitled to indemnity or contribution from the STM entities.” (*Id.*  
2 (emphasis omitted).) CyWee Motion is mistaken. “Issue preclusion, also known as  
3 collateral estoppel, ‘attaches only when an issue of fact or law is actually litigated and  
4 determined by a valid and final judgment, and the determination is essential to the  
5 judgment.’” *Amadeo v. Principal Mut. Life Ins. Co.*, 290 F.3d 1152, 1159 (9th Cir. 2002)  
6 (quoting *Arizona v. California*, 530 U.S. 392, 414 (2000)). “A voluntary dismissal of a  
7 claim prior to any adjudication and without any stipulated findings of fact does not  
8 actually litigate any issue.” *Id.* HTC voluntarily dismissed its claims against STM prior  
9 to any adjudication of those claims and without any stipulated findings of fact. (See Stip.  
10 MTD at 2-3.) Thus, in defending against CyWee Motion’s counterclaims, HTC is not  
11 precluded from arguing that HTC is a third-party beneficiary of the License Agreement.

12 Finally, as of the filing of CyWee Motion’s summary judgment motion, there was  
13 no indication that HTC had failed to diligently pursue its intended discovery. See  
14 *Burlington*, 323 F.3d at 773-74. CyWee Motion filed its summary judgment motion  
15 approximately two months after filing its counterclaims and just nine days after amending  
16 those claims. (See MSJ; CyWee Motion Countercl.; CyWee Motion Am. Countercl.) In  
17 his declaration, Mr. Yoon chronicles the discovery efforts HTC made before CyWee  
18 Motion filed its motion for summary judgment, as well as the discovery requests by HTC  
19 that were pending at the time it filed its opposition. (Yoon Decl. ¶¶ 6-10.) That HTC  
20 lacked facts “essential to justify its opposition,” see Fed. R. Civ. P. 56(d), reflected the  
21 relatively early date at which CyWee Motion filed its summary judgment motion rather  
22 than a failure to diligently pursue discovery.

1       For the foregoing reasons, the court concludes that HTC is entitled to relief under  
2 Rule 56(d). The court thus DENIES CyWee Motion's motion for summary judgment  
3 without prejudice to refiling, if appropriate, according to the timeline set forth in the  
4 prevailing scheduling order and as explained more fully in the penultimate section of this  
5 order. (*See* 8/7/18 Order (Dkt. # 101) at 2); *see infra* § III.B.2.

6       **B. Cross-Motions to Stay**

7       In light of the pending IPR proceedings, CyWee moves to stay CyWee Group's  
8 patent infringement claims against HTC and HTC's counterclaims for declaratory  
9 judgments of noninfringement and patent invalidity against CyWee Group (collectively,  
10 "the patent claims"). (CyWee MTS at 4-6; *see also* CyWee MTS Reply (Dkt. # 129) at  
11 6-12.) Additionally, CyWee urges the court to stay HTC's third-party claims against  
12 CyWee Motion while allowing CyWee Motion's counterclaims against CyWee Motion to  
13 proceed. (CyWee MTS at 5-6.) HTC, in contrast, insists that a complete stay is  
14 warranted. (HTC MTS at 6-10; HTC MTS Reply (Dkt. # 130) at 1-6.) The court begins  
15 by considering whether to stay the patent claims.

16       1. Patent Claims

17       "Courts have inherent power to manage their dockets and stay proceedings,"  
18 including the authority to stay a case pending IPR proceedings. *Ethicon, Inc. v. Quigg*,  
19 849 F.2d 1422, 1426-27 (Fed. Cir. 1988); *Wre-Hol v. Pharos Sci. & Applications*, No.  
20 C09-1642MJP, 2010 WL 2985685, at \*2 (W.D. Wash. July 23, 2010). To determine  
21 whether to grant such a stay, the court considers "(1) whether a stay will simplify the  
22 issues in question and the trial of the case, (2) whether discovery is complete and

1 whether a trial date has already been set, and (3) whether a stay will unduly prejudice or  
2 present a clear tactical disadvantage to the non-moving party.” *Pac. Bioscience Labs., Inc.* v. *Pretika Corp.*, 760 F. Supp. 2d 1061, 1063 (W.D. Wash. 2011). “The moving  
3 party bears the burden of demonstrating that a stay is appropriate.” *DSS Tech. Mgmt., Inc.* v. *Apple, Inc.*, No. 14-cv-05330-HSG, 2015 WL 1967878, at \*2 (N.D. Cal. May 1,  
4 2015).

5 The court finds each of the relevant factors weighs in favor of staying the patent  
6 claims. First, the IPR proceedings are likely to simplify the issues for trial. The PTAB  
7 already granted the IPR petitions. (CyWee MTS at 2.) Staying the case pending the  
8 outcome of IPR could clarify the scope of the patent claims, render some or all of the  
9 infringement claims moot, and provide the court with the PTAB’s expert opinion. See  
10 *Finjan, Inc. v. Symantec Corp.*, 139 F. Supp. 3d 1032, 1036 (N.D. Cal. 2015). Moreover,  
11 the stage of the litigation favors a stay. Although a trial date is set and the discovery  
12 cut-off near, the court has yet to hold a claims construction hearing, and the parties have  
13 not engaged in dispositive motions practice with respect to the patent claims.<sup>8</sup> See, e.g.,  
14 *PersonalWeb Techs., LLC v. Facebook, Inc.*, No. 13-cv-01356-EJD, 2014 WL 116340, at  
15 \*3 (N.D. Cal. Jan. 13, 2014) (finding that the second factor favored a stay where “a claim  
16 construction order ha[d] been issued and the close of fact discovery [wa]s fast  
17 approaching” but “a substantial portion of the work—expert discovery, summary  
18 judgment, pre-trial preparation, and trial itself—[ay] ahead”). Finally, HTC does not  
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<sup>8</sup> After the parties filed their cross-motions to stay this matter, the court vacated the remaining claim construction deadlines. (See 3/6/19 Order (Dkt. # 125) at 2.)

1 argue that it will suffer prejudice if the court stays the patent claims. (*See generally* HTC  
 2 MTS; HTC MTS Reply.) Accordingly, the court STAYS, pending the outcome of the  
 3 IPR proceedings, CyWee Group's patent infringement claims against HTC and HTC's  
 4 counterclaims for declaratory judgments of noninfringement and patent invalidity against  
 5 CyWee Group.

6       2. Non-Patent Claims

7       The court now confronts the more difficult question whether to extend the stay to  
 8 the parties' non-patent claims—that is, HTC's third-party claims against CyWee Motion  
 9 for contribution and unfair competition, and CyWee Motion's counterclaims against HTC  
 10 for conversion, replevin, unjust enrichment, and declaratory judgment of unauthorized  
 11 possession. The parties appear to agree that HTC's third-party claims against CyWee  
 12 Motion are sufficiently related to the patent claims to warrant a stay of those claims.<sup>9</sup>  
 13 (*See* CyWee Motion MTS at 4; HTC MTS at 9.) Accordingly, the parties' dispute  
 14 centers on whether the court should stay CyWee Motion's counterclaims against HTC, in  
 15 addition to the parties' other claims, and thereby stay the entire action.

16       Even outside the IPR context, “[a] district court has inherent power to control the  
 17 disposition of the causes on its docket in a manner which will promote economy of time  
 18 and effort for itself, for counsel, and for litigants.” *CMAX, Inc. v. Hall*, 300 F.2d 265,  
 19 268 (9th Cir. 1962). Considerations of judicial economy alone, however, are generally  
 20

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21       <sup>9</sup> However, HTC appears to argue that, should the court choose not to stay CyWee  
 22 Motion's counterclaims against HTC, it should likewise decline to stay HTC's third-party claims  
 against CyWee Motion. (*See* HTC MTS Reply at 1.) The court need not reach that argument,  
 given the parameters of the stay the court imposes, as described below.

1 insufficient to warrant a stay. *See Dependable Highway Exp., Inc. v. Navigators Ins. Co.*,  
2 498 F.3d 1059, 1066 (9th Cir. 2007). The court must also consider “the possible damage  
3 which may result from the granting of a stay, the hardship or inequity which a party may  
4 suffer in being required to go forward, and the orderly course of justice measured in  
5 terms of the simplifying or complicating of issues, proof, and questions of law which  
6 could be expected to result from a stay.” *CMAX*, 300 F.2d at 268 (citing *Landis v. N. Am.*  
7 *Co.*, 299 U.S. 248, 254-55 (1936)).

8 At the outset, the court acknowledges CyWee’s argument that, even if the PTAB  
9 were to invalidate the Patents-in-Suit, CyWee Motion’s counterclaims against HTC  
10 “would survive unaffected.” (CyWee MTS Reply at 1.) The court cannot evaluate the  
11 merits of that argument because the parties have failed to provide any evidence that sheds  
12 light on the relationship between the Patents-in-Suit and the CyWee Software. Both  
13 parties imply that the Patents-in-Suit are not coextensive with the CyWee Software, and  
14 that the License Agreement encompassed more than simply a license to practice the  
15 Patents-in-Suit. (See HTC MTS at 2; CyWee MTS Reply at 2-3.) But the role of the  
16 Patents-in-Suit within the CyWee Software remains unclear; and, on the limited record  
17 before the court, the court cannot with confidence rule out the possibility that outcome of  
18 the IPR proceedings may have some bearing on CyWee Motion’s counterclaims against  
19 HTC.

20 Moreover, the court finds that considerations of judicial efficiency and “the  
21 orderly course of justice” favor a complete stay. *See CMAX*, 300 F.2d at 268. Should the  
22 court allow CyWee Motion’s counterclaims to proceed, it would create the potential for

1 two trials on factually intertwined causes of action: one on CyWee Motion's allegations  
2 that HTC has wrongfully retained the CyWee Software, and one on CyWee Group's  
3 patent infringement claims against HTC and HTC's unfair competition and contribution  
4 claims against CyWee Motion. These claims are best tried together, however. CyWee  
5 Group's patent infringement claims, HTC's unfair business practices claim, and CyWee  
6 Motion's counterclaims all arise from the same transaction: CyWee Motion's provision  
7 of the CyWee Software to HTC.<sup>10</sup> Relatedly, with respect to both the patent infringement  
8 claims and CyWee Motion's counterclaims, HTC's affirmative defenses pivot on the  
9 [REDACTED], as well as the alleged, years-long  
10 development relationship between CyWee Motion and HTC. In light of these factual  
11 commonalities, separate trials would risk confusing the complex relationships among the  
12 parties and substantially duplicating the court's and the parties' time and effort. *See, e.g.*,  
13 *PopSockets LLC v. Quest USA Corp.*, No. 17-CV-3653 (FB) (CLP), 2018 WL 4660374,  
14 at \*2 (E.D.N.Y. Sept. 28, 2018) (declining to stay the plaintiff's non-patent claims  
15 pending IPR proceedings because "the underlying factual disputes are intertwined");  
16 *Armor All/STP Co. v. Aerospace Commc'n Holdings Co.*, No. 6:15-CV-781, 2016 WL  
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18  
19 <sup>10</sup> CyWee Motion's counterclaims against HTC thus appear to be "compulsory" within  
20 the meaning of Federal Rule of Civil Procedure 13(a). *See* Fed. R. Civ. P. 13(a) (stating that a  
21 compulsory counterclaim is one that "arises out of the transaction or occurrence that is the  
22 subject matter of the opposing party's claim"). To allow CyWee Motion's counterclaims to  
proceed while staying the remaining claims would risk defeating Rule 13's purpose to prevent "a  
substantial duplication of effort and time by the parties and the courts." *See Interlabservice,  
OOO v. Illumina, Inc.*, No. 15cv2171-KSC, 2017 WL 4217133, at \*5 (S.D. Cal. Sept. 20, 2017)  
(quoting *Transamerica Occidental Life Ins. Co. v. Aviation Office of Am., Inc.*, 292 F.3d 384,  
389-390 (3d Cir. 2002)).

1 6397269, at \*4 (E.D. Tex. Oct. 28, 2016) (staying factually related patent and non-patent  
2 claims).

3 The court also finds that a complete stay will not unduly prejudice CyWee.  
4 CyWee contends that, “if this case were stayed in its entirety, CyWee Motion would be  
5 unfairly deprived of the opportunity to request, in a timely manner, an order requiring  
6 that HTC return the CyWee Software and stop using it.” (CyWee MTS at 6; *see also*  
7 CyWee MTS Reply at 10-11.) That CyWee Motion elected not to pursue preliminary  
8 injunctive relief against HTC on its conversion and replevin claims undercuts its assertion  
9 that it must “obtain resolution of those claims as quickly and efficiently as possible.”  
10 (CyWee MTS at 6); *see Tradesman Int'l v. Black*, 724 F.3d 1004, 1012-13 (7th Cir.  
11 2013) (noting that the plaintiff’s decision to not seek preliminary injunctive relief  
12 “suggests that [the plaintiff] has not suffered irreparable harm”). Furthermore, a stay  
13 pending IPR is not indefinite; the PTAB must issue a final determination within a year—  
14 or 18 months “for good cause shown”—of the date when the PTAB notices the institution  
15 of IPR proceedings. *See* 35 U.S.C. § 316(a)(11). The court acknowledges, however, that  
16 CyWee Motion has a legitimate interest in obtaining a decision on the merits of its  
17 summary judgment motion, which was pending for longer than the time within which the  
18 court endeavors to address such motions. (*See* MSJ.) The court also observes that  
19 CyWee Motion filed its summary judgment motion before the PTAB granted the IPR  
20 petitions and before the parties filed their cross-motions for a stay. (*See id.*; CyWee MTS  
21 at 2.)

22 //

1       Accordingly, the court imposes a stay with the following parameters: The court  
2 will permit CyWee Motion to refile its motion for summary judgment before the  
3 dispositive motions deadline, currently set for July 2, 2019. (*See* 8/7/18 Order at 2.) If  
4 CyWee Motion does not refile its summary judgment motion or the court does not grant  
5 the motion in full, then the court will stay CyWee Motion's counterclaims pending the  
6 outcome of the IPR proceedings. In light of the court's ruling on HTC's request for relief  
7 under Rule 56(d), *see supra* § III.A.2, HTC is entitled to respond to CyWee Motion's  
8 summary judgment motion with any discovery it obtains before the June 18, 2019,  
9 discovery cut-off (*see id*). In other words, the court does not stay discovery related to  
10 CyWee Motion's summary judgment motion. However, all other discovery is stayed.  
11 The court further STAYS CyWee Group's patent infringement claims against HTC,  
12 HTC's counterclaims against CyWee Group, and HTC's third-party claims against  
13 CyWee Motion pending the IPR proceedings.

14 **C. Provisionally Filed Under Seal**

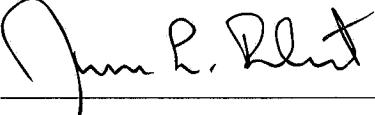
15       Because this order relies on materials filed under seal, the court DIRECTS the  
16 Clerk to provisionally file the order the seal. The court ORDERS counsel to meet and  
17 confer regarding which, if any, portions of this order they seek redact. Counsel must then  
18 submit one joint statement or, if they cannot agree on a joint statement, competing  
19 statements indicating the portions of the order they seek to have redacted and on what  
20 basis. *See Kamakana v. City & Cty. of Honolulu*, 447 F.3d 1172, 1179-80 (9th Cir.  
21 2006). The statement or statements must attach a proposed redacted order that  
22 incorporates the redactions requested in the corresponding statement. The parties must

1 file any such statement within 14 days of the date of this order. The court will consider  
2 the parties' redaction requests, if any, and then file the order on the docket with any  
3 necessary redactions.

4 **IV. CONCLUSION**

5 For the foregoing reasons, the court DENIES CyWee Motion's motion for  
6 summary judgment (Dkt. # 107) without prejudice to refiling before the dispositive  
7 motions deadline. The court further GRANTS in part and DENIES in part CyWee's  
8 motion for a partial stay (Dkt. # 123) and GRANTS in part and DENIES in part on  
9 HTC's motion for a complete stay (Dkt. # 126). The court VACATES the trial date and  
10 related pretrial dates in this matter, except for the discovery cut-off and the dispositive  
11 motions deadline. In addition, the court DIRECTS the Clerk to provisionally file this  
12 order under seal and ORDERS the parties to meet and confer regarding the need for  
13 redaction and, within 14 days of the date of this order, to indicate any such need as  
14 described above.

15 Dated this 13<sup>th</sup> day of June, 2019.

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19 The Honorable James L. Robart  
20 U.S. District Court Judge  
21  
22